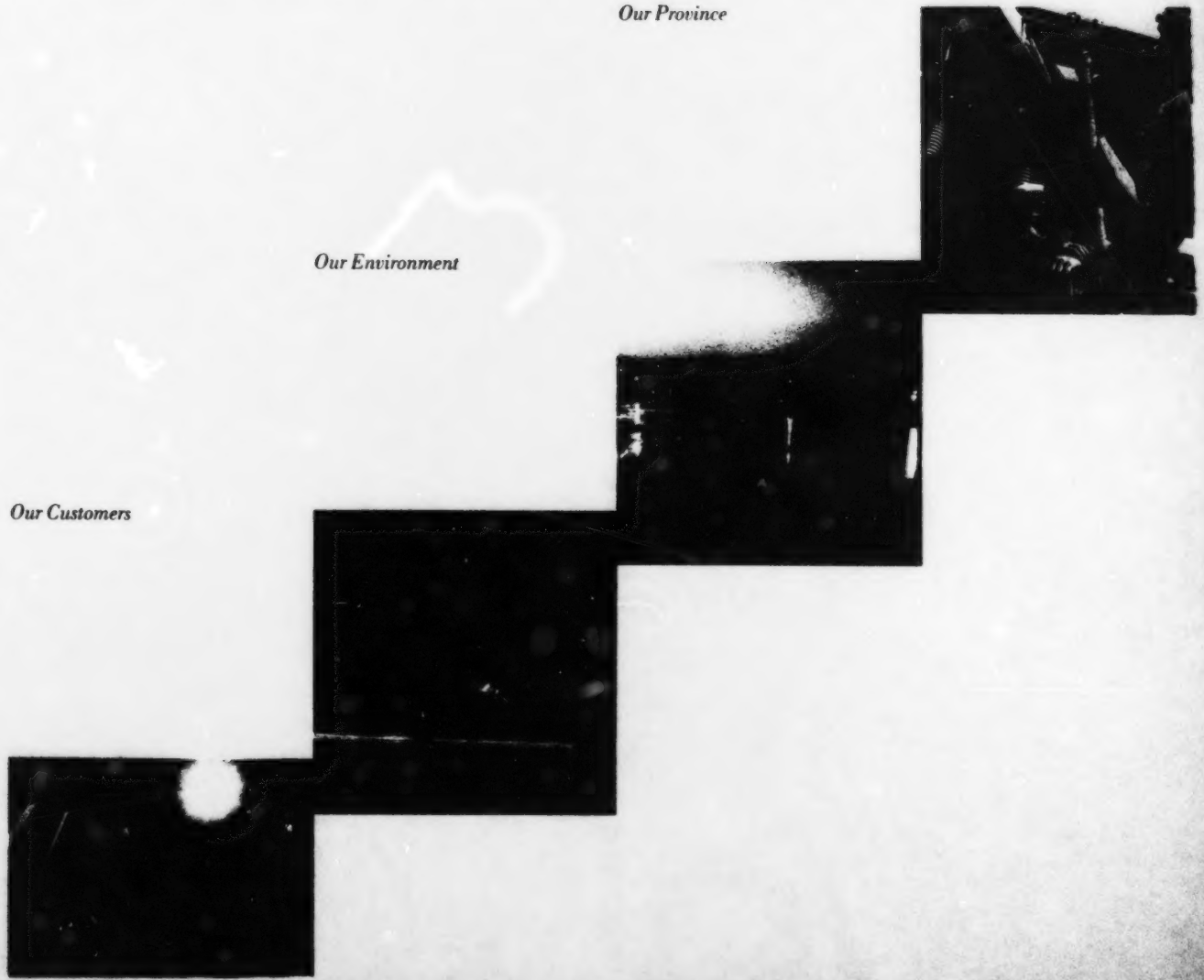
Sixty-Ninth Annual Report

1988/1989

Our Employees

Our Province



Our Environment

Our Customers

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President's Report 2

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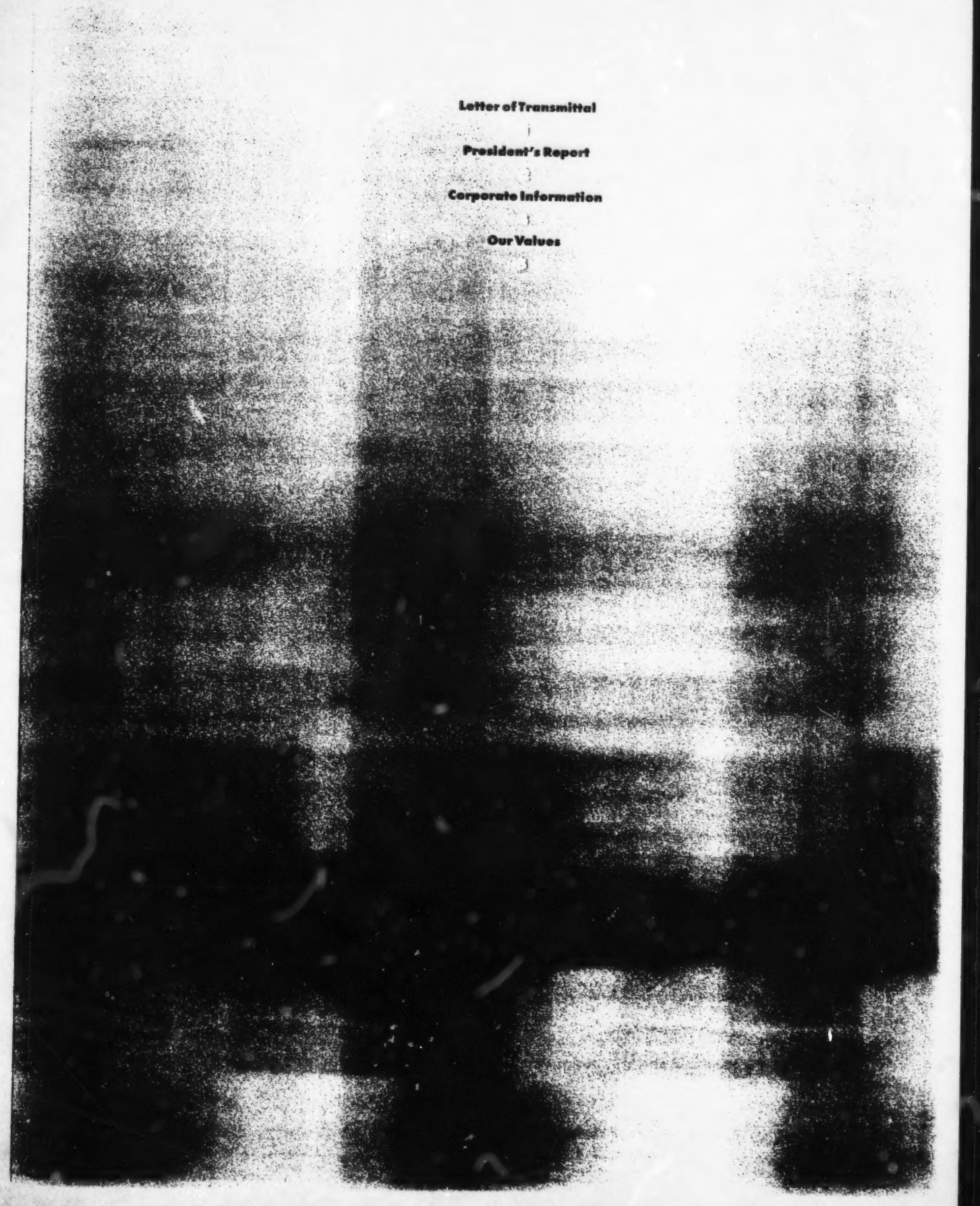
Our Values 3



July 13, 1989

His Honour
The Right Honourable Lloyd Crouse
Lieutenant-Governor of Nova Scotia

Sir:

I have the honour to submit herewith the sixty-ninth Annual Report of the Nova Scotia Power Corporation; together with financial statements for the fiscal year ended March 31, 1989.

Professionalism, competence and concern characterize the people who make up Nova Scotia Power. We value our customers, our province, our environment and our employees, and we work to enhance what we value.

Our commitment is reflected in increased customer satisfaction, increased Nova Scotia content in all major undertakings, greater environmental sensitivity and increased employee participation.

The Corporation will continue in its efforts to offer exemplary service to the people of Nova Scotia.

Yours very truly,

Joseph A. F. Macdonald, QC
Chairman

We have completed six consecutive years in which electric rates have not increased. This resulted from the effective cost controls and the diligent utilization of various reserves and retained earnings to protect our consumers.

Effective April 1, 1989, the Board of Commissioners of Public Utilities approved a new rate schedule which will provide Nova Scotia Power with a revenue increase of approximately 6.3%.

At the same time the Board approved our budget and operating expenditures. Additionally the Auditor-General of Nova Scotia, following lengthy review, has endorsed our financial, accounting and general management procedures.

Just as energy self-sufficiency has been realized by Nova Scotia Power—indigenous coal and hydro annually account for 70–80 per cent of our generation—we will continue to maintain financial self-sufficiency. It is fundamentally important that this principle be recognized—we must provide our service based upon sound business practices.

Our other financial objectives are:

- The ability to pay our bills. In this regard Nova Scotia Power has established an unblemished credit record in satisfying any and all obligations assumed since its inception in 1919.

- Sufficient rate stabilization reserve to meet unexpected circumstances and to prevent rate shock to consumers.
- An equity reserve sufficient to instil confidence within the financial community in Nova Scotia Power's financial soundness. We feel that relatively moderate levels of equity are sufficient and our successes in the area of borrowing—both long-term and through Nova Scotia Power Savings Bonds—have demonstrated confidence in the utility.

Nova Scotia Power's long-term debt remains most favourable, on a per capita basis, compared with other major publicly-owned electric utilities.

We have established sinking funds to provide for the retirement of the majority of our debt. These sinking funds totalled $354 million at March 31, 1989. Our long-term debt at the end of the fiscal period was $1.8 billion, of which $1.6 billion (89%) requires annual sinking funds invested for debt retirement. The remainder of our long-term debt will be retired through internally generated funds or refinancing.

In the overall operation of our utility, we will continue to improve customer satisfaction; emphasize the importance of the employees, employee relations, productivity, job satisfaction, safety and health; operate in an environmentally sound manner in all aspects of our operation; operate in a business-like manner with self-sufficiency being the key; and use innovative, state-of-the-art-technology to ensure maximum efficiency and economic achievements.

I am certainly proud of our accomplishments over the past year, particularly in the area of customer service, environmental sensitivity and operational productivity.

This could not happen without a dedicated group of employees and the guidance of our Board of Directors. I thank them for their efforts.

Louis R. Comeau

Board of Directors

J.A.F. Macdonald, QC
Chairman
Halifax

Louis R. Comeau
Halifax

Allan F. Bruce
Truro

C.J. (Jake) Creighton
Dartmouth

Robert A. Damery
Bridgewater

Glynn R. Elliott
Amherst

G. Douglas Macdonald
New Glasgow

James G. MacDonald
Sydney

G. James McCulloch
Halifax

Cecil S. Smith
Liverpool

M. Barbara Walker
Halifax

Buster L. Woodworth
Wolfville

Committees of the Board of Directors

Audit Committee

C.S. Smith, Chairman
A.F. Bruce
G.J. McCulloch
G.R. Elliott
L.R. Comeau, Ex Officio

Compensation Committee

G.J. McCulloch, Chairman
A.F. Bruce
R.A. Damery
J.G. MacDonald
L.R. Comeau, Ex Officio

Centennial Scholarship Selection Committee

A.F. Bruce, Chairman
L.R. Comeau, Ex Officio

Pension Committee

J.A.F. Macdonald, QC,
Chairman
C.J. Creighton
W.L. Fraser
M.B. Walker
B.L. Woodworth
L.R. Comeau, Ex Officio

Officers

L.R. Comeau
President and
Chief Executive Officer

T.F. MacDonald
Vice-President, Planning

L.J. Sweett
Vice-President,
Customer Services

W.L. Fraser
Vice-President, Personnel
and Corporate Services

G.D. Lethbridge
Vice-President,
Engineering and Production

R.J. Smith
Secretary and Senior Solicitor

Auditors

KPMG Peat Marwick
Halifax

Bankers

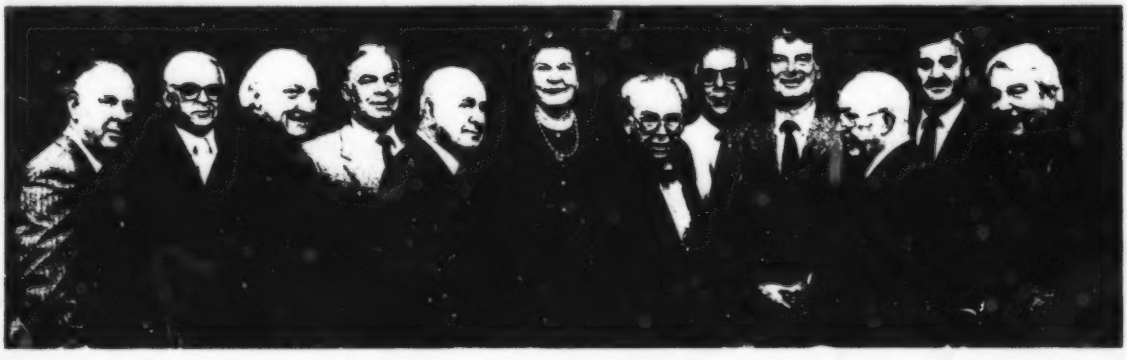
Bank of Nova Scotia
Royal Bank of Canada

Solicitors

Cox, Downie & Goodfellow
Halifax

Transfer Agent and Registrar

Corporate Trust and Debt
Administration Department,
Nova Scotia Power Corporation



Board of Directors' Picture
(Left to Right) G.J. McCulloch, B.L. Woodworth, L.G. MacDonald, C.S. Smith, [illegible], M.B. Walker, J.A.F. Macdonald, A.F. Bruce, G.R. Elliott, G.D. Macdonald, L.R. [illegible], R.A. Damery

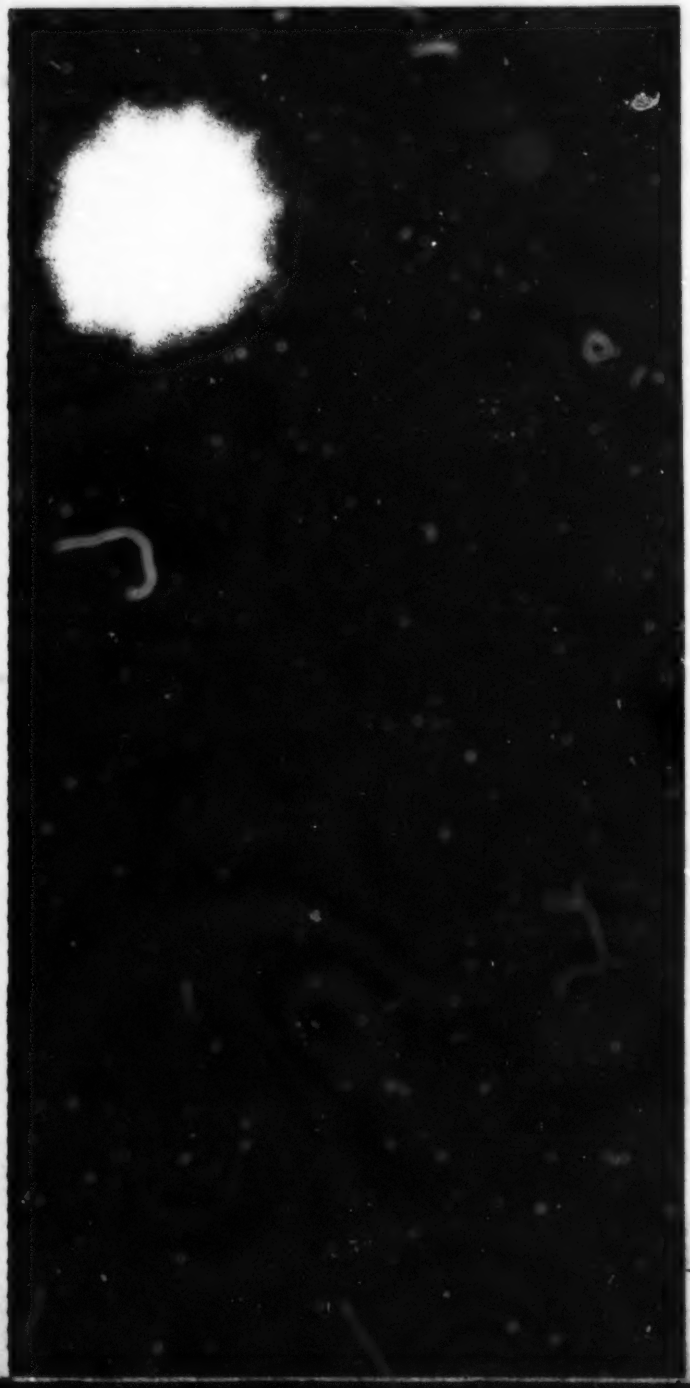
OUR VALUES

OUR CU

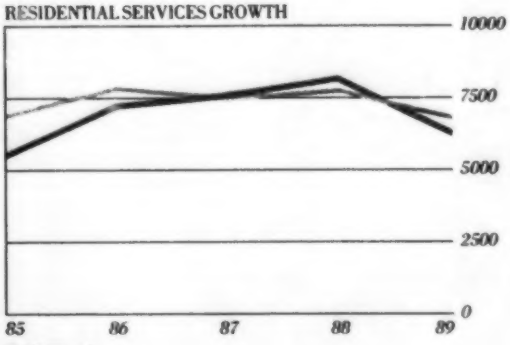
ustomer Service remains our priority. We must provide our customers with a high level of service. ■ We're proud to say that we're doing just that; our reliability of service remains at 99.93%. ■ In fiscal 1989 our 2,460 employees served 381,507 customers. That means our customer to employee ratio has gone from 132 to 1 in fiscal 1983 to 155 to 1 in this fiscal year—a productivity improvement of some 17 per cent. ■ We continue to strive to improve our customer service. Nova Scotia Power, through research and implementation of findings, will continue to upgrade its level of service. ■ Customer surveys are of great benefit in helping Nova Scotia Power plan for the future. Nova Scotia Power mails surveys to over 4000 customers quarterly. Questions on these surveys cover all aspects of the organization. As well, telephone surveys, focusing on more specific, timely issues, are done quarterly. There is no better way to find out what the customers want than to ask them—so we do.

■ A large number of our customers still have inside meters which are often inaccessible to our meter readers, making it inconvenient for both the customer and Nova Scotia Power. ■ A reliable, practical solution may be the Hexagram Meter Reading Module, the use of which Nova Scotia Power is investigating. A small electronic device is installed inside the meter. A wire

runs from the meter to a terminal outside the residence where a small scanning unit transmits the meter data so it can be read using the Itron System which our meter readers are now using. The meter reader can read the inside meter by placing the hand-held Itron device within one inch of the terminal. In the coming year, the Hexagram Meter Reading Module will be tested in sixty homes. ■ An on-line cash processing system has been installed in all Nova Scotia Power Customer Service offices. Electric service payments made at these offices are entered directly into our mainframe computer. This provides instantaneous updating of the customer's account as well as providing a printed detailed receipt for the customer. Our customer service employees have access to up-to-date information which greatly helps in providing account information to customers. ■ Last year saw the first Nova Scotia R-2000 Home Tour and Nova Scotia Power was a major sponsor. The R-2000 Home Tour features homes built to rigourous energy-efficient standards.



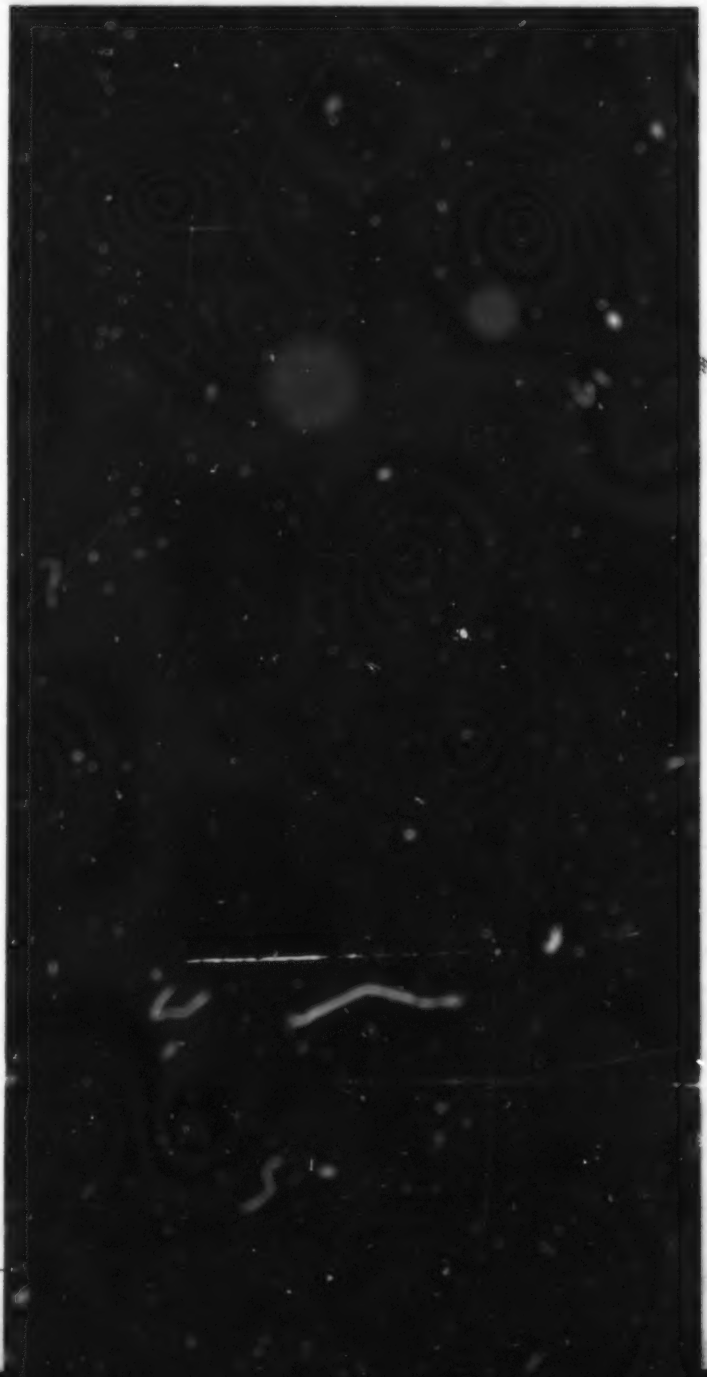
RESIDENTIAL SERVICES GROWTH



■ *All Electric*
▫ *Total Residential*

Nova Scotia Power has continued to show its commitment to the environment through its ongoing environmental protection programs as well as through new policies. ■ In 1988–89, Nova Scotia Power successfully disposed of all high-level polychlorinated biphenyl (PCB)-contaminated material. Over 150 tonnes of high-level contaminated and solid PCB material was gathered up and packed securely in containers. The containers were then shipped to Wales where, over a one-month period, the PCB-contaminated material and solid PCBs were safely destroyed through approved high temperature incineration. ■ In the third year of its program to remove all low-level polychlorinated biphenyls (PCBs) from its equipment, Nova Scotia Power completed the PCB decontamination of substations in Lunenburg, Queens, Kings, Shelburne, Annapolis and Digby counties. Approximately 237,000 litres of mineral oil were treated last year at 16 locations across the province at a cost of approximately $500,000. In the past three years, Nova Scotia Power has successfully decontaminated 555,000 litres of mineral oil. The PCB management program will continue until Nova Scotia Power is completely free of PCBs.

■ Nova Scotia Power, in accordance with the Federal/Provincial Acid Rain Agreement, must limit its sulphur dioxide (SO_2) emissions to no greater than 160,000 tonnes annually by the year 1994. To meet this target, Nova Scotia Power is developing a program to retrofit existing plants with pollution-control devices. As well, all future Nova Scotia Power generating units will be environmentally compatible. ■ Nova Scotia Power's proposed generating station, at Point Aconi in Cape



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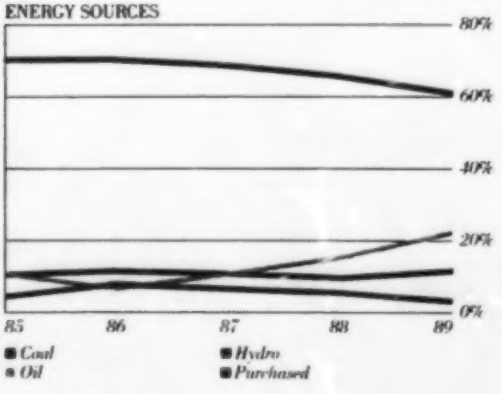
Breton, illustrates how environmentally compatible a coal-fired plant can be. Using Circulating Fluidized Bed (CFB) Combustion, the 150 MW unit at Point Aconi will decrease normally expected sulphur dioxide emissions by as much as 90 per cent. ■ There will be a further reduction in SO_2 emissions in future years as additional CFB plants are constructed. The CFB program will reduce Nova Scotia Power's SO_2 emissions to about 100,000 tonnes by the year 2000. Nova Scotia Power will continue to study and research emerging technologies in order to reduce emissions further. ■ Fish diversion testing at our Annapolis Tidal and Hell's Gate hydro generating stations continues with good progress. We will continue using fish pulser devices to deter fish from entering our turbines, and continue to ensure that fish protection measures are properly addressed and implemented through the placement of fish ladders, fishways or bypasses.

■ We at Nova Scotia Power will continue to strive to be environmentally conscientious in all aspects of our operations; not only in the areas of acid rain and hazardous waste management, but in all our dealings with customers, whether it be in the setting of poles, rights-of-way management or the protection of our rivers.

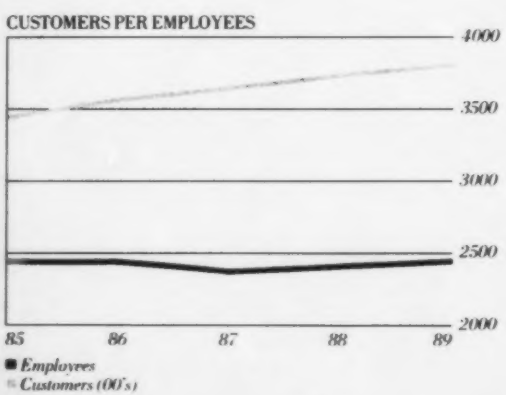


OUR EM

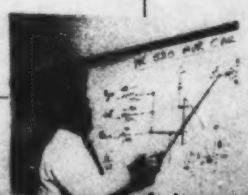
Nova Scotia Power has 2,460 employees and, as reflected in our newly-stated values, each employee is of great importance. ■ One of our many outstanding employees is Art Steckhahn. A Senior Instrumentation Engineer with Thermal Production, Art spends much of his free time preparing instruction material on instrumentation-related topics to be presented to thermal plant and other personnel. ■ Art is especially renowned for his unique and interesting delivery. He enjoys sharing his knowledge, and his colleagues are anxious to benefit from his expertise and experience. In the past 12 months, Art has prepared and presented material to almost 100 Nova Scotia Power employees from both our Transmission/Distribution and Thermal Divisions. ■ The past year was an outstanding one for employee training. Nova Scotia Power employees participated in the mandatory W.H.M.I.S. (Workplace Hazardous Materials Information System) training.

As well, 1,471 employees took part in technical and non-technical training in varied subjects from Forklift Operation and Transportation of Dangerous Goods to Managing Your Memory and Salary & Benefits Administration. Meanwhile, some 50 employees are taking university courses to upgrade their skills.

■ An employee attitude survey which was conducted several years ago taught us a lot. As



a result, a number of changes, both big and small, have been incorporated into our practices based on employee recommendations arising from that survey. Probably the most dramatic of these changes, modified work hours, was introduced this year. This program allows employees substantial freedom in determining their work hours, with the additional option of working extra time each day to earn a day off every 15 working days. ■ Safety has always been of great importance at Nova Scotia Power. Our employees—from linemen and meter readers to accountants and mailroom staff—are encouraged to practice safety on and off the job. Our Occupational Health and Safety Department offers employees training and encouragement in safe work practices. During this past year, a group of linemen, together with area managers and safety co-ordinators, organized a popular event to promote safety. A Pole Top Rescue competition was held in Goshen, Guysborough County. ■ In the competition, the linemen rescue a "dummy" from the top of a pole. Speed is important but a thorough and safe rescue is what really counts. Each man has to climb the pole, check the "victim's" breathing, and administer four breaths of air before rigging the pole to lower the "victim" to the ground. Although Nova Scotia Power linemen practice Pole Top Rescues as part of their safety exercises, this was the first time the exercise took the form of competition. This and other ongoing safety activities, along with the safety attitude which employees demonstrate in their everyday work, reflect the importance our employees place on safety for our customers and themselves.



t Nova Scotia Power, we are committed to serving the social and economic needs of Nova Scotia. ■ Therefore, we have deliberately set in motion policies and procedures at Nova Scotia Power to increase our Nova Scotia content and, where economically viable, to contract out to the maximum possible extent. As a result, we have increased our Nova Scotia purchases from 58% of total purchases in 1984 to 83% in 1989. ■ During the past year, Nova Scotia Power spent $318,926,000 on supplies and services of which 83% or $264,493,000 was spent through manufacturers, producers, distributors and agents in Nova Scotia. As well, Nova Scotia Power provided nearly 7,000,000 hours of work to small businesses and contractors in Nova Scotia during the same period. ■ Nova Scotia's energy requirement was up 7.0 per cent over 1987–88 to 8,713,588,251 kilowatt hours. Nova Scotia coal-fired generating stations supplied 61.4 per cent of our needs while oil-fired stations supplied 22.8 per cent and hydro stations, 11.9 per cent. ■ Generation by coal was lower this year mainly due to the 11-week Cape Breton Development Corporation strike. During this period, beginning in late January, oil became a prime fuel at our coal-fired plants. ■ This year's peak demand of 1,619 megawatts occurred on December 12 and was 0.7 per cent higher than the peak load of the previous year. ■ The conversion of the 150 MW Point Tupper Unit No. 2 from oil to coal, which was finished this year, essentially completes our off-oil program. This program included the construction of the 200 MW Wreck Cove

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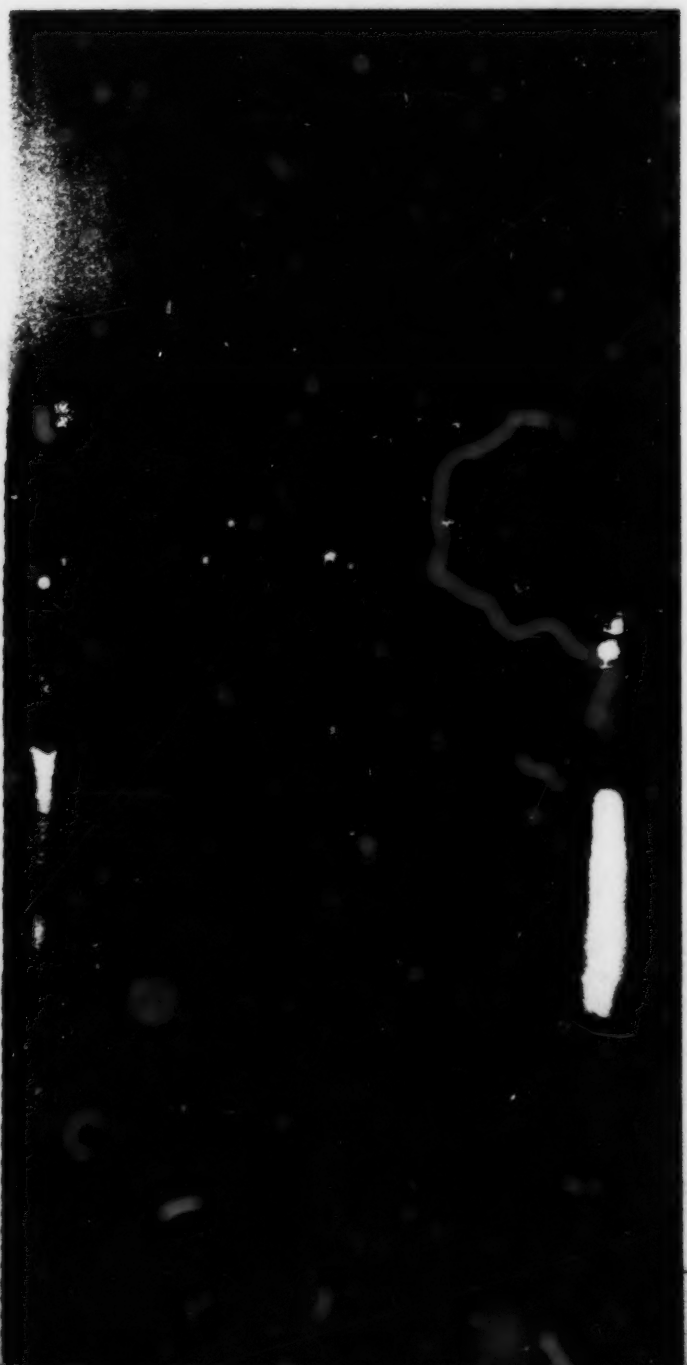
Hydro facility and the 600 MW coal-fired plant at Lingan. ■ Continuing load growth has resulted in the start of construction of the 150 MW Trenton No. 6 Unit which is scheduled to be in service in late 1991. Initial planning has also begun on a Circulating Fluidized Bed at Point Aconi which will produce an additional 150 MW of power using a clean-burning, low emission technology. ■ During the past year, Nova Scotia Power called for expressions of interest from private power producers. Nova Scotia Power has expressed the desire to buy as much as 30 MW of private power to help meet growth. Response to our call was positive with more than 20 potential producers submitting proposals representing 125 MW of capacity. ■ Nova Scotia Power's proposed project to export power to New England via subsea cable, "The Bluenose Project", continued with further studies and a call for proposals. The proposals are being evaluated with the selection of the participant expected in late 1989. ■ Power for the project would come from four 300 MW generating units to be built in Sheet Harbour. Overhead transmission lines would carry alternating current to a Yarmouth substation where it would be converted to direct current and sent by underwater cable to New England. ■ Nova Scotia Power relies on its Savings Bonds for a portion of its construction capital. The 1988 Series was sold July 12–14, 1988 with an interest rate of 9.5%. The bonds were available to Nova Scotia residents and companies with head offices in Nova Scotia. Nova Scotians invested $62 million in their electric utility over that three-day period.



FINANCIAL REPORT

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Over the past several years, an integral part of the Corporation's operating philosophy has been to protect customers from escalating electricity costs by utilizing various reserves and retained earnings before applying for a rate increase. As a direct result of this, rates to electric customers have not increased for six consecutive years.

Nova Scotia Power has been before the Board of Public Utilities this year. At that appearance, the Board approved rates effective April 1, 1989 to represent an average increase of approximately 6.3% over the total revenue base.

The Corporation experienced an operating loss of $11.4 million in the 1988–89 fiscal year which will be funded from the Corporation's Retained Earnings.

Electric revenue increased $40.7 million, or 8.1% over fiscal 1987–88. Additional sales of 627 million kilowatt hours helped in-province electric sales to rise $39.8 million or 7.9%. Electric revenue from export sales of 21 million kilowatt hours provided $2.7 million of revenue, an increase of $0.9 million or 46.4% over fiscal 1987–88.

The total cost of operations for fiscal 1988-89 was $406.4 million, which is $20.8 million or 5.4% greater than the previous year, the most significant increases being the fuel cost at $7.2 million, up 3.6%, and cost of power generated other at $6.3 million, up 15.2%. Operating costs other than fuel increased $13.6 million or 7.3%.

The total in-province requirement for 1988–89 was 8714 GW.h, an increase of 573 GW.h or 7.0% over 1987–88. Thermal generation increased by 569 GW.h and supplied 84% of the total requirement. Hydro generation accounted for 12% of the total requirement, 3% was purchased power, and the remainder was obtained through turbines.

Hydro production was 106% of normal. At the end of fiscal 1987–88 hydro storage was 170 GW.h. By applying good resource management techniques coupled with favourable runoff, this year we have been able to move hydro storage up to 194 GW.h, 105% of normal. During this time, we were also able to generate 1041 GW.h of hydro-electric energy.

In spite of the substantial increase in requirement in fiscal 1988–89, the fuel cost increase of $7.2 million was lower than expected as a result of the downward movement in international oil prices during this fiscal period. The average cost of Bunker "C" consumed was $14.70 per barrel in fiscal 1988–89 while the comparable figure for fiscal 1987–88 was $20.19 per barrel.

Cost of power generated—other increased $6.3 million or 15.2% over the previous year. The main factors behind this increase are the additional costs associated with a full year's operation of Tupper Unit 2, increased operating and maintenance costs at Tufts Cove due to increased utilization, and a Gas Turbine overhaul.

Operating, maintenance and general costs increased $5.1 million. The increase was largely due to a general escalation of costs, regulatory hearing costs, increases in costs of employee benefits, insurance premiums, uncollectable accounts and research and development costs.

Depreciation totalled $58.9 million in 1988–89, $6.3 million or 12.1% higher than the prior year. This increase reflects thermal, transmission, distribution and general assets placed in service in fiscal 1988–89, the most notable being a full year's depreciation on Point Tupper Unit 2, after being out of service during conversion from oil to coal, from the middle of fiscal 1985–86 to the middle of fiscal 1987–88.

Interest increased $3.2 million, or 2.1% over the prior year.

In July of 1988, a savings bond issue was placed in the market at 9.5%. This, our third issue, was favourably received and resulted in $62 million in sales. November of 1988 saw the Corporation float a $150 million commercial bond issue at 10.875%.

Capital spending during fiscal 1988–89 amounted to $112 million. Major capital expenditures for the period included the start of construction for the Trenton 6 Thermal Generating Unit and the addition of intra-provincial transmission.

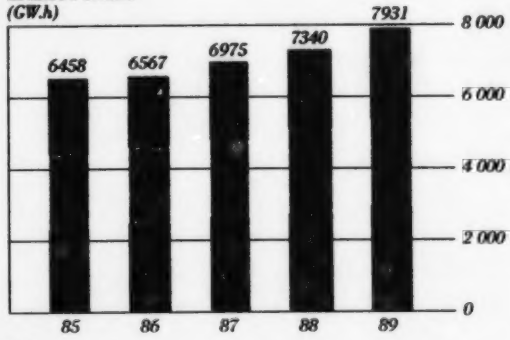
FINANCIAL STATISTICS

FOR THE YEAR ENDED MARCH 31, 1989, WITH FOUR-YEAR COMPARATIVE FIGURES

THOUSANDS OF DOLLARS	1989	1988	1987	1986	1985*
Electric Revenue	$543,321	$502,658	$476,056	$466,665	$447,655
Total Cost of Operations	406,376	385,571	346,116	362,566	368,939
Fuel	206,241	199,082	173,397	193,312	211,111
Purchased Power	8,568	12,698	11,719	15,910	8,804
Depreciation	58,918	52,576	48,426	47,447	45,828
Interest	155,002	151,830	147,443	141,575	124,058
Net Proceeds from Long-Term Borrowings	209,837	149,667	166,569	—	98,710
Net Additions to Fixed Assets	106,291	101,755	120,066	84,698	73,933
Net Earnings (Loss)	(11,443)	(27,753)	(9,277)	(12,257)	4,720

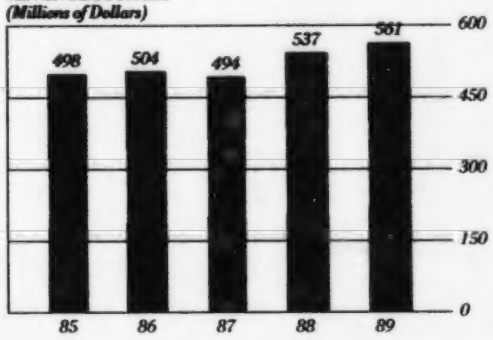
*Restated

ENERGY SALES
(GW.h)



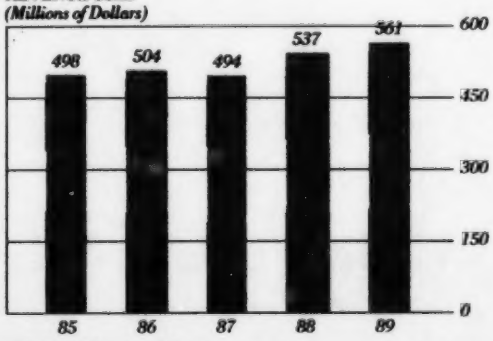
- *Domestic*
- *Industrial*
- *General Service*

REVENUE SOURCES
(Millions of Dollars)



- *Domestic*
- *General Service*
- *Industrial*
- *Other (Includes Rate Stabilization Reserve)*

REVENUE USES
(Millions of Dollars)



- *Fuel and Purchased Power*
- *Interest*
- *Operating Maintenance and General*
- *Depreciation*
- *Other Generation*
- *Other (Includes Rate Stabilization Reserve)*

MANAGEMENT REPORT

All information, including the consolidated financial statements in the Annual Report of Nova Scotia Power Corporation, is the responsibility of management and has been approved by the Directors. Financial information presented throughout this report is consistent with the data presented in the financial statements which are prepared in accordance with accounting principles generally accepted in Canada.

The Board of Directors carries out its responsibilities for the financial statements primarily through its Audit Committee, a majority of whom are not employees of the Corporation. The Audit Committee meets regularly with management, internal auditors, and the independent auditors all of whom have full and free access to the Committee.

The independent auditors are responsible for auditing the financial statements and giving an opinion thereon.

AUDITORS' REPORT

To the Board of Directors
Nova Scotia Power Corporation

We have examined the consolidated balance sheet of Nova Scotia Power Corporation as at March 31, 1989, and the consolidated statements of operations, retained earnings, rate stabilization reserve and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat Marwick

Chartered Accountants

Halifax, Canada
June 13, 1989

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1989, WITH COMPARATIVE FIGURES FOR 1988
THOUSANDS OF DOLLARS

	1989	1988
Revenue		
Electric—note 1	$543,321	$502,658
Other	6,614	6,990
	549,935	509,648
Cost of operations		
Power generated—fuel	206,241	199,082
—other	48,088	41,743
Power purchased	8,568	12,698
Operating, maintenance and general	79,810	74,721
Grants in lieu of taxes	4,751	4,751
Depreciation	58,918	52,576
	406,376	385,571
Earnings before interest	143,559	124,077
Interest—note 2	155,002	151,830
Net loss	$ 11,443	$ 27,753

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

AS AT MARCH 31, 1989, WITH COMPARATIVE FIGURES FOR 1988
THOUSANDS OF DOLLARS

	1989	1988
Fixed assets		
Property, plant and equipment in service	$1,902,174	$1,833,978
Less accumulated depreciation	594,501	547,607
	1,307,673	1,286,371
Construction work in progress	55,290	24,482
	1,362,963	1,310,853
Current assets		
Cash	67	97
Short-term investments at cost	55,334	—
Accounts receivable	54,293	42,900
Unbilled revenue	44,605	38,339
Inventories at cost	46,545	57,557
Prepaid expenses	3,441	1,730
	204,285	140,623
Long-term receivables	179	255
Deferred charges less amortization		
Unrealized foreign exchange costs	7,785	36,627
Financing costs	13,704	14,440
Other	5,278	6,320
	26,767	57,387
	$1,594,194	$1,509,118

APPROVED ON BEHALF OF THE CORPORATION

Chairman

President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY

AS AT MARCH 31, 1989, WITH COMPARATIVE FIGURES FOR 1988
THOUSANDS OF DOLLARS

	1989	1988
Long-term debt—note 3		
Bonds and debentures	$1,671,642	$1,528,776
Notes		
Province of Nova Scotia	98,321	101,145
Government of Canada	42,298	44,503
Other	1,298	6,937
	1,813,559	1,681,361
Less		
Payable within one year—note 3	262,777	70,946
Sinking funds	353,784	309,666
	616,561	380,612
	1,196,998	1,300,749
Current liabilities		
Bank indebtedness	3,124	4,652
Short-term notes payable	514	633
Accounts payable and accrued charges	42,998	38,860
Customers' deposits and accrued interest	1,556	1,321
Accrued interest on long-term debt	64,271	58,522
Long-term debt payable within one year	262,777	70,946
	375,240	174,934
Deferred credits	1,792	1,828
Equity		
Contributed surplus	13,327	13,327
Retained earnings	6,837	18,280
	20,164	31,607
	$1,594,194	$1,509,118

Commitments—note 4

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 1989, WITH COMPARATIVE FIGURES FOR 1988
THOUSANDS OF DOLLARS

	1989	1988
Balance at beginning of year	$18,280	$30,869
Net loss	11,443	27,753
	6,837	3,116
Appropriation from rate stabilization reserve	—	15,164
Balance at end of year	$ 6,837	$18,280

CONSOLIDATED STATEMENT OF RATE STABILIZATION RESERVE

FOR THE YEAR ENDED MARCH 31, 1989, WITH COMPARATIVE FIGURES FOR 1988
THOUSANDS OF DOLLARS

	1989	1988
Balance at beginning of year	$ —	$15,164
Appropriation to retained earnings	—	15,164
Balance at end of year	$ —	$ —

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN CASH POSITION

FOR THE YEAR ENDED MARCH 31, 1989, WITH COMPARATIVE FIGURES FOR 1988
THOUSANDS OF DOLLARS

	1989	1988
Operating activities:		
Net loss	$(11,443)	$(27,753)
Items not requiring an outlay of funds:		
Depreciation	58,918	52,576
Amortization of deferred charges	10,551	7,735
Earnings on sinking funds	(29,807)	(26,076)
Working capital	(2,974)	3,254
Cash provided by operating activities	25,245	9,736
Financing activities:		
Proceeds from long-term debt less discount	209,837	149,667
Repayment of long-term debt	(55,117)	(38,358)
Sinking fund payments	(16,424)	(15,408)
Other	113	(179)
Cash provided by financing activities	138,409	95,722
Investing activities:		
Net additions to fixed assets and deferred charges	106,703	102,901
Cash applied to investing activities	106,703	102,901
Increase in cash position	56,951	2,557
Cash position (deficiency) at beginning of year	(5,188)	(7,745)
Cash position (deficiency) at end of year	$ 51,763	$ (5,188)

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MARCH 31, 1989

Consolidation

The consolidated financial statements include the accounts of Nova Scotia Power Corporation and its wholly-owned subsidiaries, Nova Scotia Light and Power Company, Limited and Eastern Light & Power Company Limited.

Regulation

The Corporation is a crown corporation of the Province of Nova Scotia engaged in the production and sale of electric energy, and is regulated by the Board of Commissioners of Public Utilities for the Province of Nova Scotia pursuant to the Public Utilities Act.

Property, Plant and Equipment

The property, plant and equipment of the Corporation are recorded at original cost net of contributions in aid of construction. Expenditures for additions, replacements and improvements, which are comprised of direct labour, material, engineering, and related overhead costs, are capitalized whereas repairs and maintenance are charged to operations. Interest on funds used during construction is capitalized monthly at an interest rate which represents the effective cost of capital determined at the preceding fiscal year end. For property, plant and equipment replaced or renewed, the original cost plus removal cost less salvage is charged to accumulated depreciation.

The excess of the Corporation's investment over the book value of subsidiaries and acquired power utilities was $30,197,000. This amount is being amortized on a straight line basis over terms ranging from 11 to 30 years. At March 31, 1989, the unamortized value included in the fixed assets of the Corporation was $9,193,000.

Depreciation is provided for by the Corporation on the straight line method, based on the estimated remaining service lives of its depreciable assets. The estimated average service lives for the major categories of plant in service are summarized as follows:

Functions	Average Life in Years
Generation:	
Hydro	63.6
Steam	29.7
Gas Turbine	23.8
Transmission	39.8
Distribution	29.4
General Plant	17.0

Changes in the estimated service lives of fixed assets and in the significant assumptions underlying the estimates of fixed asset removal costs are subject to periodic review. Such changes are implemented on a remaining service life basis from the year the changes can be first reflected in electric service rates.

Depreciation expense for the year ended March 31, 1989 includes $1,180,000 representing amortization of the excess of investment over book value of acquired utilities.

Foreign Currency Translation

Foreign currency amounts are translated into Canadian funds substantially in accordance with the temporal method of foreign currency translation, whereby assets and liabilities so denominated are categorized as monetary or non-monetary items as follows:

(a) *Monetary items:*

Cash, other current assets and liabilities, sinking funds and long-term debt are converted to Canadian dollars at the rate of exchange prevailing at the balance sheet date. The resulting differences between the translation at the original transaction date and the balance sheet date that relates to long-term debt less sinking funds are shown on the balance sheet under deferred charges.

These costs are amortized to operations over the remaining life of the debt issue or the period over which the related sinking fund will retire the debt issue, whichever is less.

(b) *Non-monetary items:*
Fixed assets originally acquired in foreign currencies are translated to Canadian dollars at historical exchange rates.

(c) Revenue and expense items, including interest expense on long-term debt, are reflected in operations at the rate of exchange on the date of the transaction together with any other exchange gains or losses realized from transactions affecting current operations.

Sinking Funds

Sinking funds, including those in foreign currencies, consist of securities and cash held by the Corporation and trustees for the redemption of certain debt issues. Certain issues of bonds and debentures requiring annual sinking fund payments provide that the Corporation may satisfy its obligation by purchasing bonds or debentures on the open market at any time prior to the due date. Any discount or premium on such purchases will be recognized in income on the transaction date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1989

1. Electric Revenue

Electric service is provided to the Province of Nova Scotia and its agencies at the appropriate class rates as approved by the Board of Commissioners of Public Utilities for the Province of Nova Scotia.

2. Interest

thousands of dollars	1989	1988
Interest on long-term debt	$174,656	$168,348
Amortization of financing costs	2,809	2,286
Interest on short-term borrowings	2,449	394
Foreign exchange costs realized	4,319	14,503
Amortization of unrealized foreign exchange costs	6,288	5,520
Other	280	161
	190,801	191,212
Less		
Interest charged to construction	2,833	9,602
Sinking fund earnings	29,807	26,076
Loss on redemption of bonds	(73)	(54)
Other investment income	3,232	3,758
	35,799	39,382
	$155,002	$151,830

3. Long-Term Debt

thousands of dollars

Long-term debt which is guaranteed by the Province of Nova Scotia is expressed in Canadian dollars. The rates in effect at balance sheet date summarized by years of maturity and by currency payable are as follows:

	1989				1988	
Years of Maturity	Principal Outstanding			Weighted Average Coupon Rate	Principal Outstanding	Weighted Average Coupon Rate
	Canadian	Foreign	Total	%	Total	%
1989	$ –	$ –	$ –		$ 53,972	
1990	203,346	41,762	245,108		49,990	
1991	20,143	–	20,143		19,117	
1992	173,691	57,448	231,139		354,998	
1993	130,222	–	130,222		208,610	
1994	53,836	–	53,836		–	
1– 5 Years	581,238	99,210	680,448	10.26	686,687	10.13
6–10 Years	77,306	88,058	165,364	8.60	81,517	7.94
11–15 Years	511,783	59,660	571,443	10.83	587,931	10.35
16–20 Years	154,876	89,490	244,366	10.99	229,832	12.01
21–25 Years	151,938	–	151,938	10.83	95,394	9.56
	$1,477,141	$ 336,418	$1,813,559	10.43	$1,681,361	10.33
Currency payable:						
Canadian dollars			$1,477,141	10.91	$1,320,348	10.91
United States dollars			278,970	9.04	288,533	9.04
Swiss francs			57,448	4.88	72,480	4.88
			$1,813,559	10.43	$1,681,361	10.33

Included in long-term debt are Nova Scotia Power savings bonds outstanding of $321 million in 1989 ($269 million in 1988) which are redeemable, in whole or in part on an annual basis at par at the option of the holder. Holders of $198 million have opted for redemption and this amount has been included in long-term debt payable within one year. The potential exists for additional redemptions to a maximum of $50 million on August 8, 1989. The Corporation finances these redemptions through public debt issues.

Long-term maturities and sinking fund requirements, including those in foreign currencies translated to Canadian currency at March 31, 1989, are as follows:

Year Ending March 31	
1990	$262,777
1991	25,985
1992	183,164
1993	86,356
1994	60,227
	$618,509

4. Commitments

As at March 31, 1989, the Corporation was constructing generation, transmission and other facilities estimated to cost approximately $487.4 million of which approximately $188.0 million has been expended and an additional $129.5 million has been committed under contract.

5. Pension Plans

Regular employees of the Corporation are covered by the Public Service Superannuation Plan of the Province of Nova Scotia, which is a defined benefit multi-employer plan under which contributions are made equally by the Corporation and the employees. During the year, contributions to this plan of $4,647,000 (1988—$4,280,000) were expensed.

The Corporation provides pension benefits to employees of acquired utilities, additional to those which are payable under the existing plans for years of service prior to acquisition. The Nova Scotia Light and Power Company, Limited Pension Plan and the Nova Scotia Power Corporation Supplemental Pension Plan, each serving a closed employee group, have been treated in accordance with generally accepted practice for defined benefit pension plans. Pension expense for these plans in 1989 totalled $2,054,000 (1988—$1,519,000). Based on the most recent actuarial valuations completed as of December 31, 1987, extrapolations of both the present value of the accrued pension benefits, and the market value of the net assets available to provide for these benefits have been made to March 31, 1989.

Accrued Benefits	$55,306,000
Pension Fund Assets	38,642,000
	$16,664,000
Amortization Method	Annuity Method
Amortization Period	14 Years
Annualized Future Funding Contribution and Expense	$ 2,054,000

6. Subsequent Event

On April 27, 1989, the Corporation issued a public offering of $200 million of sinking fund debentures. This placement due April 27, 2014 bears interest at 11¼%, is non-redeemable and was fully subscribed.

7. Related Party Transactions

Related party transactions are disclosed elsewhere in the consolidated financial statements.

FOR TWELVE MONTH PERIOD ENDED MARCH 31	1989	1988	1987	1986	1985
Electric Energy Generated & Purchased (Thousand kW.h):					
Generated (net)	8,439,437	7,655,482	7,168,874	7,037,360	7,002,376
Purchased	295,206	515,212	554,223	661,460	409,898
	8,734,643	8,170,694	7,723,097	7,698,820	7,412,274
Losses & Internal Use	678,353	732,816	715,220	722,371	677,913
Total Electric Energy Sold	8,056,290	7,437,878	7,007,877	6,976,449	6,734,361
Energy Sales Billed (Thousand kW.h.):					
Domestic Service	3,049,952	2,782,613	2,659,872	2,468,203	2,337,509
General Service	2,185,511	2,030,802	1,931,380	1,845,663	1,811,013
Industrial Power	2,380,523	2,227,152	2,097,916	1,981,854	2,045,128
Municipalities	235,921	223,124	212,156	198,392	191,199
Unmetered Services	78,961	76,179	74,155	72,677	72,928
Total In-Province Billed Energy Sales	7,930,868	7,339,870	6,975,479	6,566,789	6,457,777
Increase (Decrease) in Unbilled Sales	104,367	68,594	31,516	19,986	(132,114)
Grid Sales	21,055	29,414	882	389,674	408,698
Total Electric Energy Sales	8,056,290	7,437,878	7,007,877	6,976,449	6,734,361
Electric Revenue Billed (Thousand $):					
Domestic Service	$226,309	$208,581	$200,135	$187,241	$179,173
General Service	171,156	159,691	151,912	145,913	143,504
Industrial Power	113,078	105,405	100,008	98,284	99,969
Municipalities	12,225	11,536	10,895	10,249	9,922
Unmetered Services	11,576	11,170	10,788	10,487	10,457
Total In-Province Electric Revenue	534,344	496,383	473,738	452,174	443,025
Increase (Decrease) in Unbilled Revenue	6,266	4,423	2,278	1,362	(9,758)
Grid Sales	2,711	1,852	40	13,129	14,388
Total Electric Revenue	$543,321	$502,658	$476,056	$466,665	$447,655
Average Unit Revenue per kW.h Billed:					
Domestic Service	7.42¢	7.50¢	7.52¢	7.59¢	7.67¢
General Service	7.83¢	7.86¢	7.87¢	7.91¢	7.92¢
Industrial Power	4.75¢	4.73¢	4.77¢	4.96¢	4.89¢
Municipalities	5.18¢	5.17¢	5.14¢	5.17¢	5.19¢
Unmetered Services	14.66¢	14.66¢	14.55¢	14.43¢	14.34¢
All Classifications Combined	6.74¢	6.76¢	6.79¢	6.89¢	6.86¢
Number of Employees	2,460	2,420	2,383	2,450	2,454
Number of Customers	381,507	373,594	364,673	356,764	348,146
km of Transmission Lines (69 kV & Over)	4,872	4,866	4,862	4,712	4,648
km of Distribution Lines (36 kV & Under)	23,701	23,503	22,620	21,972	21,694
Cost of Fuel (Thousand $)—Coal	$156,376	$154,011	$144,629	$146,971	$136,182
—Oil	49,865	45,071	28,768	46,341	74,929
TOTAL	$206,241	$199,082	$173,397	$193,312	$211,111

System Map

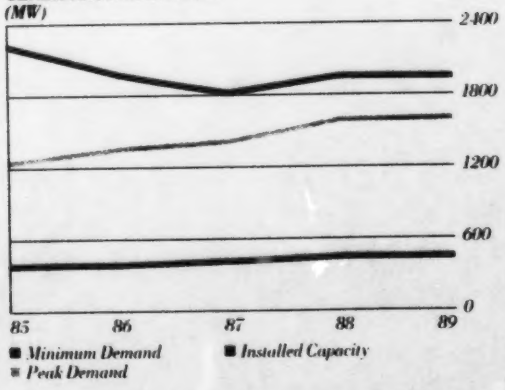
TRANSMISSION LINES

- *69kV*
- *138kV*
- *230kV*
- *345kV*

PLANTS

- *Steam*
- *Gas Turbine*
- *Hydro*
- *Tidal*
- *Wind Turbine*
- *Municipal Utilities*

GENERATION STATISTICS



Generation Statistics

	Installed Capacity in kW	1988–89 Generation (kW.h x 1,000)
Steam		
Lingan	601,800	4,332,380
Tufts Cove	350,000	1,650,889
Trenton	190,000	837,807
Point Tupper	150,000	790,047
Glace Bay	96,000	180,547
Maccan	15,000	21,504
	1,402,800	7,813,174
Gas Turbine	179,845	27,660
Hydro		
Total 33 Plants	361,902	1,040,762
Tidal	19,458	27,918
Wind Turbine	300	—
TOTAL CAPACITY	1,964,305	
TOTAL GENERATION		8,909,514
Less: Station Service		470,077
NET GENERATION		8,439,437
Purchases		295,206
Inter-Provincial Sales (to NBEPC)		(21,055)
NET REQUIREMENT		8,713,588